

SENT VIA EMAIL

October 28, 2014

Gregg McLean Adam
Carroll, Burdick & McDonough LLP
44 Montgomery Street, Suite 400
San Francisco, CA 94104

Re: Charter Section 1111(g)(1)

Dear Gregg:

This letter is in response to the POA's letter dated October 2, 2014, requesting the calculation of the limitations set out in the City Charter Section 1111 which "provides a cap on wage increases," specifically Section 1111 (g)(1) which states that the Board of Arbitrators "shall not render a decision, or issue an award" that "increases the projected cost of compensation for the bargaining units at a rate that exceeds the rate of increase in revenues from the sales tax, property tax, utility tax and telephone tax averaged over the prior five fiscal years."¹

The data necessary to calculate the change in revenues for the specified categories over the prior five years is provided in the tables below. From the starting point of the 2008-2009 fiscal year, actual data is provided for the five most recent completed fiscal years. However, the growth rates for one revenue category, the Telephone Tax, are not available for all five years. With an implementation date of April 2009, the Telephone Tax was only partially implemented in the base year of 2008-2009. Given this lack of data, Table 1 below excludes the Telephone Tax from the revenue growth calculation. As an alternative, Table 2 excludes the Telephone Tax from the growth calculation in Year 1 only and includes the Telephone Tax in Year 2 through Year 5.

Table 1 *	Base Year	Year 1	Year 2	Year 3	Year 4	Year 5
	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
Sales Tax	\$132,005,205	\$127,237,777	\$137,969,758	\$154,026,546	\$163,751,105	\$173,411,643
Property Tax	\$215,704,073	\$206,062,364	\$197,176,722	\$201,711,784	\$205,016,136	\$223,644,896
Utility Tax	\$85,749,565	\$87,650,883	\$87,884,597	\$90,382,878	\$91,108,958	\$93,793,831
Total	\$433,458,843	\$420,951,024	\$423,031,077	\$446,121,208	\$459,876,199	\$490,850,370
% Change		-2.89%	0.49%	5.46%	3.08%	6.74%
% Change – 5 Year Average (without Telephone Tax)						2.58%

* Excludes Telephone Tax due to the lack of data in Fiscal Year 2008-2009 that impacts the growth calculation for Fiscal Year 2009-2010. The Telephone Tax replaced the Emergency Communication System Support Fee in April 2009.

¹ We would like to note that City Charter Section 1111, specifically Section 1111(f), defines compensation as "all costs to the City...for salary paid and benefits provided to employees," which includes but is not limited to wages or other pays.

Table 2 **	Base Year	Year 1	Year 2	Year 3	Year 4	Year 5
	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
Sales Tax	\$132,005,205	\$127,237,777	\$137,969,758	\$154,026,546	\$163,751,105	\$173,411,643
Property Tax	\$215,704,073	\$206,062,364	\$197,176,722	\$201,711,784	\$205,016,136	\$223,644,896
Utility Tax	\$85,749,565	\$87,650,883	\$87,884,597	\$90,382,878	\$91,108,958	\$93,793,831
Telephone Tax	7,869,559	\$20,500,000	\$20,643,328	\$20,529,291	\$20,640,471	\$20,692,277
Total	\$441,328,402	\$441,451,024	\$443,674,405	\$466,650,499	\$480,516,670	\$511,542,647
Total w/o Telephone Tax	\$433,458,843	\$420,951,024				
% Change (Years 2-5 w/Telephone Tax)			0.50%	5.18%	2.97%	6.46%
% Change (Year 1 w/o Telephone Tax)		-2.89%				
% Change – 5 Year Average (including Telephone Tax in Years 2-5)						2.44%

** Excludes growth in Telephone Tax from 2008-2009 to 2009-2010 (year 1) as the Telephone Tax in Fiscal Year 2008-2009 was a partial year (April to June 2009). The Emergency Communication System Support Fee (ECSS) was in effect through March 2009. The Telephone Tax replaced the ECSS Fee in April 2009. Includes Telephone Tax in years 2 through 5.

Please let me know if you have any questions.

Sincerely,

Jennifer Schembri
 Deputy Director of Employee Relations

c: Alex Gurza, Deputy City Manager
 Jim Unland, President POA
 John Robb, Vice President POA
 Franco Vado, Chief Financial Officer